Pick n Pay

Results presentation

For the 53 weeks ended 3 March 2019

Agenda

Chairman’s introduction
Gareth Ackerman | **Chairman**

Results overview
Bakar Jakoet | **Chief Finance Officer**

Progress on our plan
Richard Brasher | **Chief Executive Officer**

SOUTH AFRICA'S MOST INFLUENTIAL BRAND

Pick n Pay

Chairman's Introduction

Gareth Ackerman

Chairman

Chairman's introduction

In FY19 we achieved:

- Lower prices
- Better reach
- More customers
- Volume growth
- Dividend growth

Congratulations to the Pick n Pay and Boxer teams for delivering the strongest underlying performance in several years

Chairman’s introduction

Sustainable development goals

What we do aligns most closely with 7 of the United Nations Sustainable Development Goals

Our customers still seek great value products with good service from a caring, ethical company. But they also look to us for ethical sourcing, environmental sustainability, healthy product choices, transparent labelling and more.

Today I’d like to focus on three areas of our sustainability strategy:

Creating economic opportunity

Alternatives to plastic

Developing our people

Chairman’s introduction

Dikeledi Mosime, CEO and owner of Tin-Pac promotional packaging

Creating economic opportunity

- Investing in enterprise and supplier development
- Sourcing products locally and from small black-owned and women-owned businesses
- A first-of-its-kind spaza-to-market store conversion programme

We partnered with over 100 small businesses in FY19

Chairman’s introduction

Alternatives to plastic

- We have taken a number of steps to reduce plastic in the business including several reusable bags and reduction in packaging in our Own Brand products
- Our recycled plastic bags will keep 2,000 tonnes of plastic out of the environment each year

Chairman's introduction

Developing our people

We support our people through:

- Creating thousands of jobs
- Recognising skill and development and rewarding them with promotions
- Training and mentoring colleagues
- Management and leadership programmes

We offer over 300 different training programmes to our people, ranging from basic literacy and numeracy to management and leadership programmes

Chairman's introduction

OUR BUSINESS IS BUILT ON 3 CORE VALUES

1 Consumer sovereignty

2 Business efficiency

3 Doing good is good business

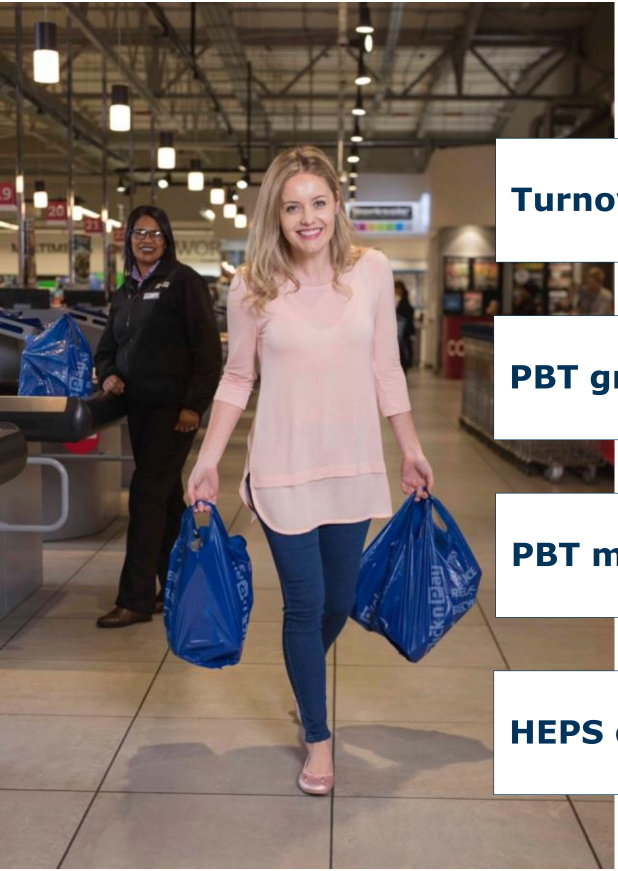
SOUTH AFRICA'S MOST INFLUENTIAL BRAND

Results overview

Bakar Jakoet

Chief Finance Officer

Result overview – 53 weeks



	FY19 53 weeks	FY19 52 weeks*
Turnover growth	9.6%	7.1%
PBT growth	24.4%	17.3%
PBT margin	2.5%	2.4%
HEPS growth	25.2%	18.0%

The Group follows a 52-week retail calendar - which requires the catch-up of an additional week every 6 years

2019 is a 53-week period, and its results are not comparable with the 52-week 2018

The 53rd week added R2bn to turnover and a R126.6m to PBT

Unless stated otherwise, the presentation that follows is on a 52-week basis, providing an assessment of our comparable performance

*Please refer to the appendix provided for additional comparable pro forma information

Strong performance in a tough market

	FY19*	FY18#	% change
Turnover	**R86.3bn**	R80.5bn	7.1
Gross profit margin	**19.0%**	18.9%	
Trading profit	**R2 049.0m**	R1 819.9m	12.6
Trading profit margin	**2.4%**	2.3%	
Profit before tax (PBT)	**R2 073.2m**	R1 768.1m	17.3
PBT margin	**2.4%**	2.2%	
PBT - South Africa	**R1 831.9m**	R1 480.2m	23.8
PBT margin – South Africa	**2.2%**	1.9%	
HEPS	**326.71 cents**	276.98 cents	18.0
Diluted HEPS	**322.65 cents**	271.61 cents	18.8

** The 2019 information presented is on a comparable 52-week basis. Please refer to the appendix provided for further detail*

 # The 2018 information presented is on a restated basis. Please refer to note 12 of the summarised financial statements for further information

Successful execution, consistent earnings growth

Greater investment in the customer offer underpinned by cost discipline and operating efficiency

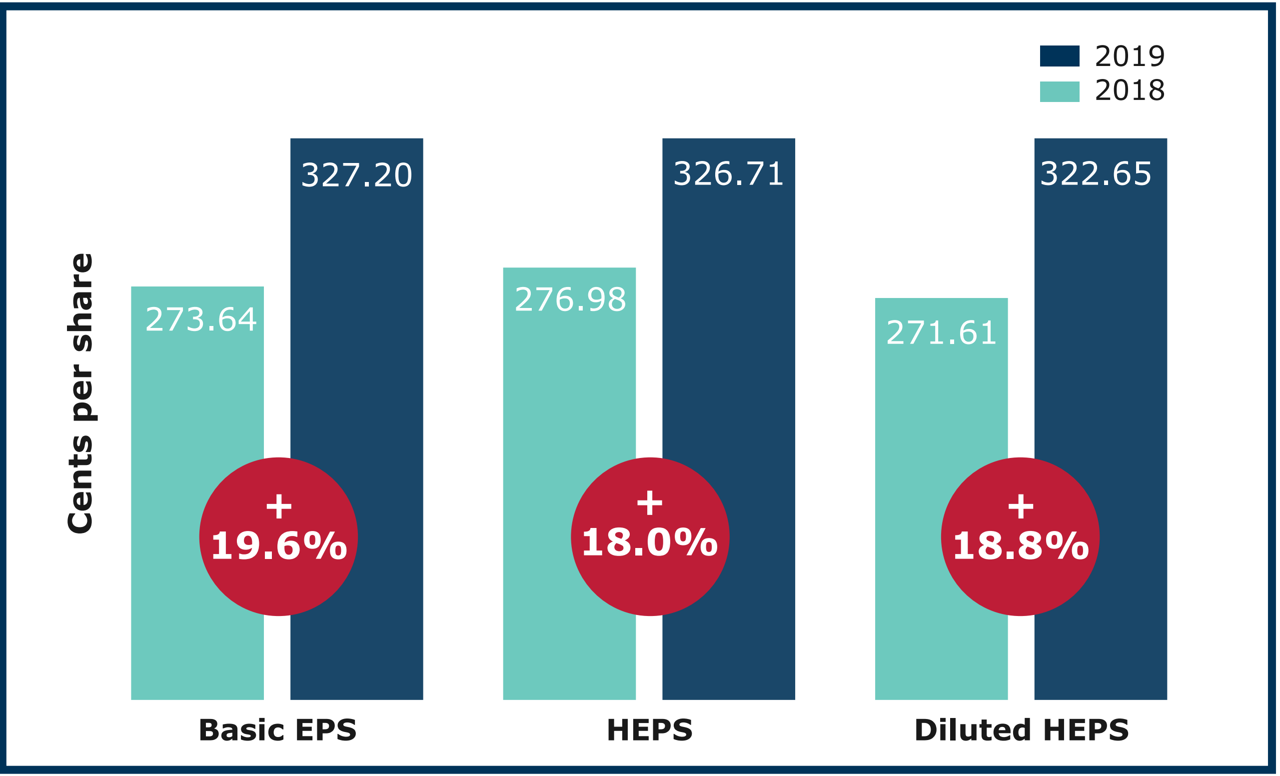
Volume growth without margin sacrifice

Solid performance from South Africa division - PBT up 23.8%

HEPS up 18.0%

Diluted HEPS up 18.8%

Long-term plan drives sustained earnings growth

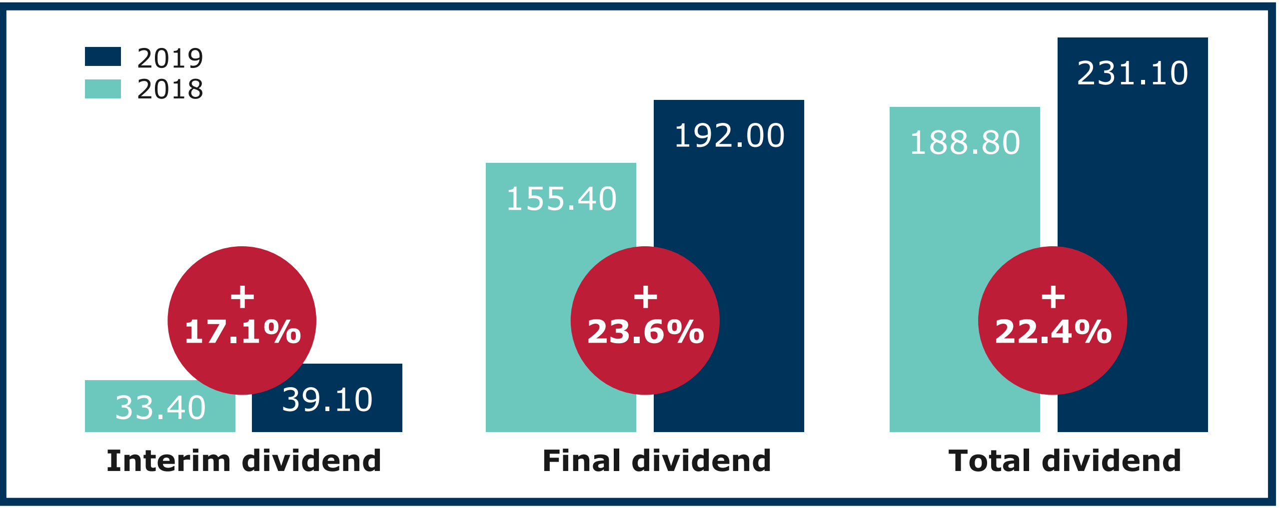


Stronger business, competing effectively

Earnings growth reflects substantive improvements in customer offer

Diluted HEPS reflects the dilution effect of share options

Growing shareholder returns

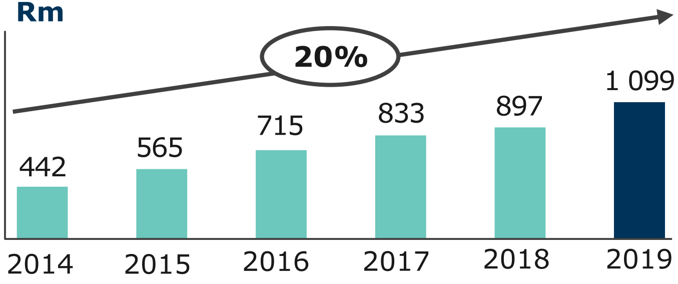


Total dividend up 22.4%

Annual dividend cover of 1.5 times HEPS maintained for the full 53 weeks

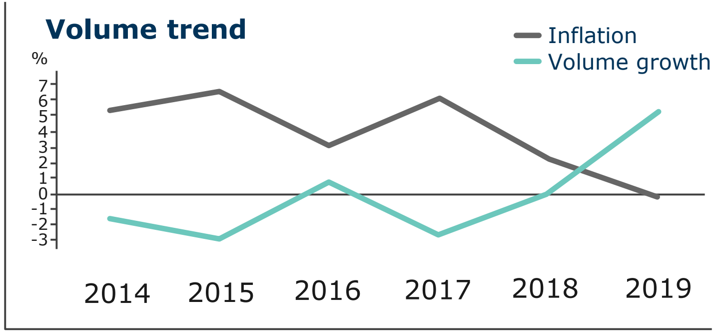
The Group has delivered a compound annual growth in dividends declared of 20% over the past 5 years

Total dividends paid over 6 years - R4.6bn
Rm



Volume growth and market share gains

	FY19	FY18
Turnover growth	**7.1%**	5.1%
Internal selling price inflation	**-0.3%**	2.2%
Like-for-like turnover growth	**4.8%**	2.2%
Volume growth	**5.1%**	-
Turnover growth from net new space	**2.3%**	2.9%
Net new stores	**110**	124
Customer growth (number of transactions)	**4.6%**	2.6%
Basket size growth (average transaction value)	**2.8%**	2.7%



Group turnover up 7.1%, with LFL sales growth of 4.8% in a tough market

Improved customer offer delivers 5.1% volume growth

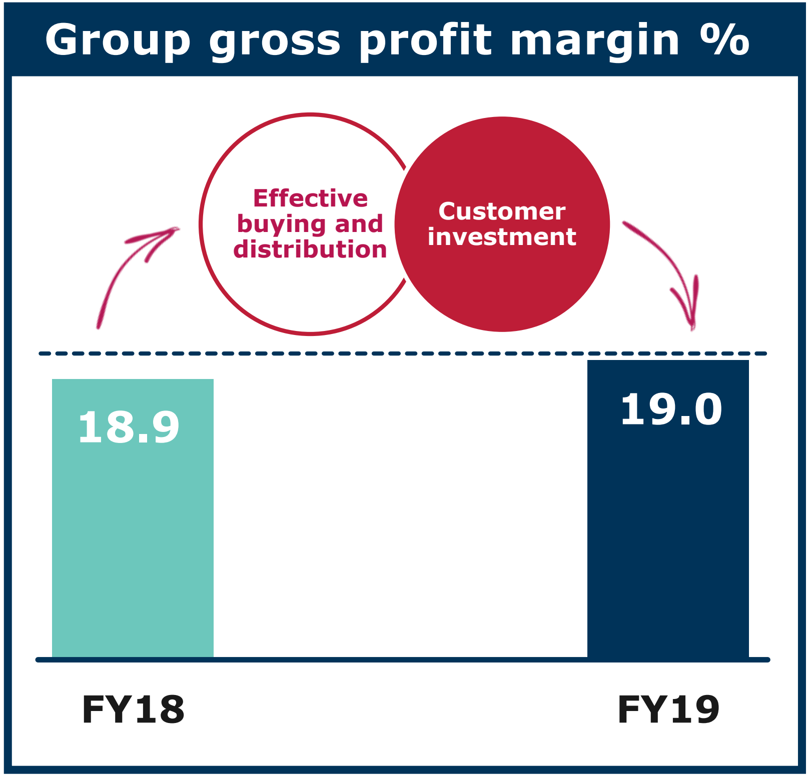
Internal selling price deflation of 0.3%

Market-leading sales growth of 7.4% in South Africa (LFL 5.2%), with volume growth of 5.5%

Net new stores added 2.3% to turnover growth

130 new stores and 20 store closures

Competitive with tight margin management



Gross profit margin increased to 19.0%

More competitive in a tough consumer environment

Lower everyday prices, with fewer and deeper promotions

Price investment supported by
- Better buying
- Operating efficiency
- Cost discipline

Improved performances from company-owned Pick n Pay and Boxer stores positive for gross profit margin

Growing value-added financial services platform

	FY19 Rm	FY18 Rm	% Change
Other trading income	**1 889.9**	1 782.0	6.1
Franchise fee income	**389.9**	400.1	(2.5)
Operating lease income	**527.8**	446.1	18.3
Commissions and other income, including value-added services	**972.2**	935.8	3.9

Other income up 6.1%

Franchise fee income down 2.5% with a change in the Pick n Pay Express franchise agreement to drive the growth of this format

Franchise fee income up 4.5% on a comparable basis

Growth in operating lease income driven by strategic head leases (related rental expenses included within occupancy costs)

Strong growth across all categories of value-added services, with VAS income up 41.5%

More effective operations

	FY19 Rm	FY18 Rm	% change	% LFL change
Trading expenses	**16 258.0**	15 191.0	7.0	5.3
Employee costs	**7 102.0**	6 688.7	6.2	5.9
Occupancy	**3 299.5**	3 086.6	6.9	3.3
Operations	**3 463.0**	3 178.8	8.9	6.1
Merchandising & administration	**2 393.5**	2 236.9	7.0	4.9

Expense growth contained below turnover growth

Labour costs and occupancy costs up 6.2% and 6.9% respectively driven by growth across store and distribution estate

LFL labour costs of 5.9% reflect above inflation increases

LFL occupancy costs up just 3.3%, despite high increases in security and insurance costs

Operations costs reflect a broad repairs and maintenance programme and higher depreciation charges related to our capital investment programme

Improved profit margins

	% change	FY19 % of turnover	FY18 % of turnover
EBITDA*	11.1	**3.9**	3.8
EBIT*	11.5	**2.5**	2.4
Profit before tax (before capital items)	15.6	**2.4**	2.2
Profit before tax	17.3	**2.4**	2.2
Profit before tax - South Africa (before capital items)	21.6	**2.2**	2.0
Profit before tax - South Africa	23.8	**2.2**	1.9
Profit after tax	19.9	**1.8**	1.6

**excluding capital items*

EBITDA margin up 0.1%pt to 3.9%

Depreciation and amortisation up 10.5%, in line with the Group's ongoing capital investment programme

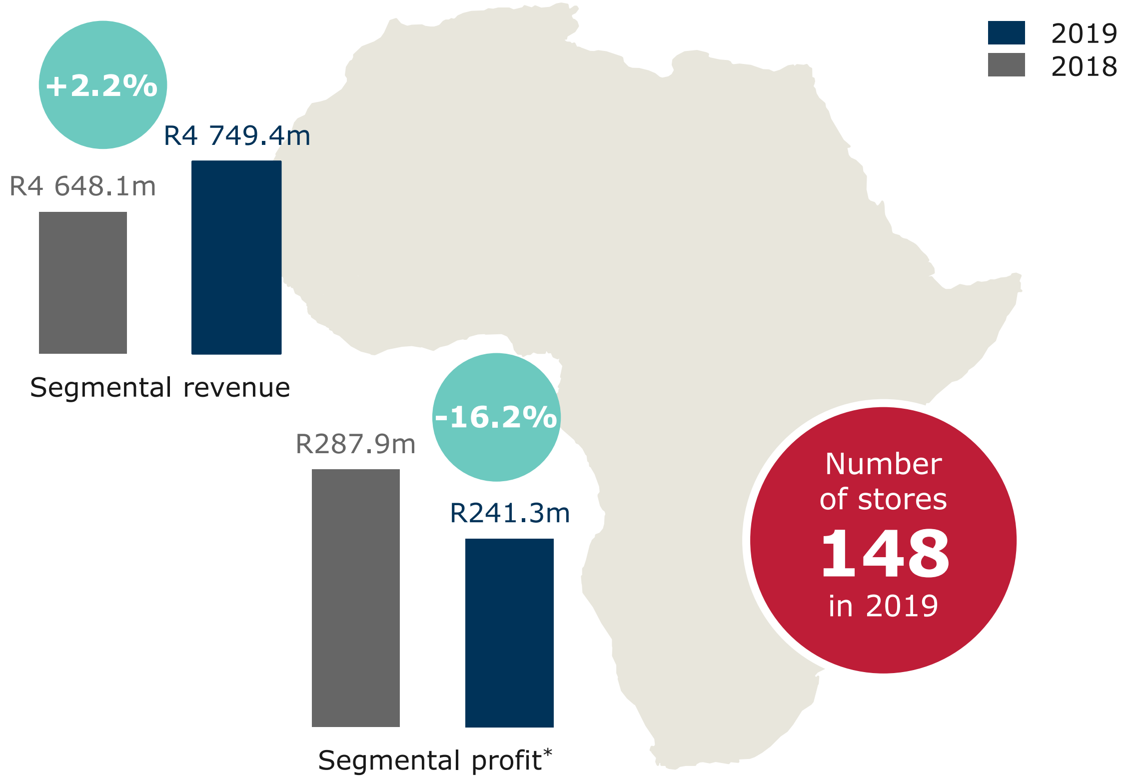
Leading performance from Group's South Africa division

Net finance costs decreased by 38.5% or R56.6m, underpinned by:

- Stronger cash generation
- Improved inventory management
- Lower borrowings over the year

Tax rate of 25.0%, driven by tax impact of share-based payments

Challenging markets outside South Africa



Revenue up 2.2%, and up 5.3% in constant currency terms, with LFL revenue growth of 1.5%

Ongoing challenges outside South Africa, in particular:

- constrained consumer environment in Zambia
- economic uncertainty and currency illiquidity in Zimbabwe

Segmental profits down 16.2% year-on-year, including a decrease in our share of associate's profits of 6.3%

Opened 6 new stores - 3 in Eswatini and 3 in Zambia - and closed 2 stores in Namibia

* *Segmental profit comprises the segment's trading result and directly attributable costs only. No allocations are made for indirect or incremental cost incurred by the South Africa segment relating to this division*

Resilient business in Zimbabwe

	FY19 Rm	FY18 Rm	% change
Share of TM's earnings	**109.0**	116.3	-6.3
Trading result	**151.1**	116.3	29.9
Forex loss	**(42.1)**	-	
Investment in TM	**184.4**	365.6	-49.6

The adoption of the newly recognised RTGS currency in October 2018 resulted in a day one forex loss on translation of foreign debt of R42.1m

Excluding this forex loss TM contributed R151.1m to the Group's result, up 29.9% on last year

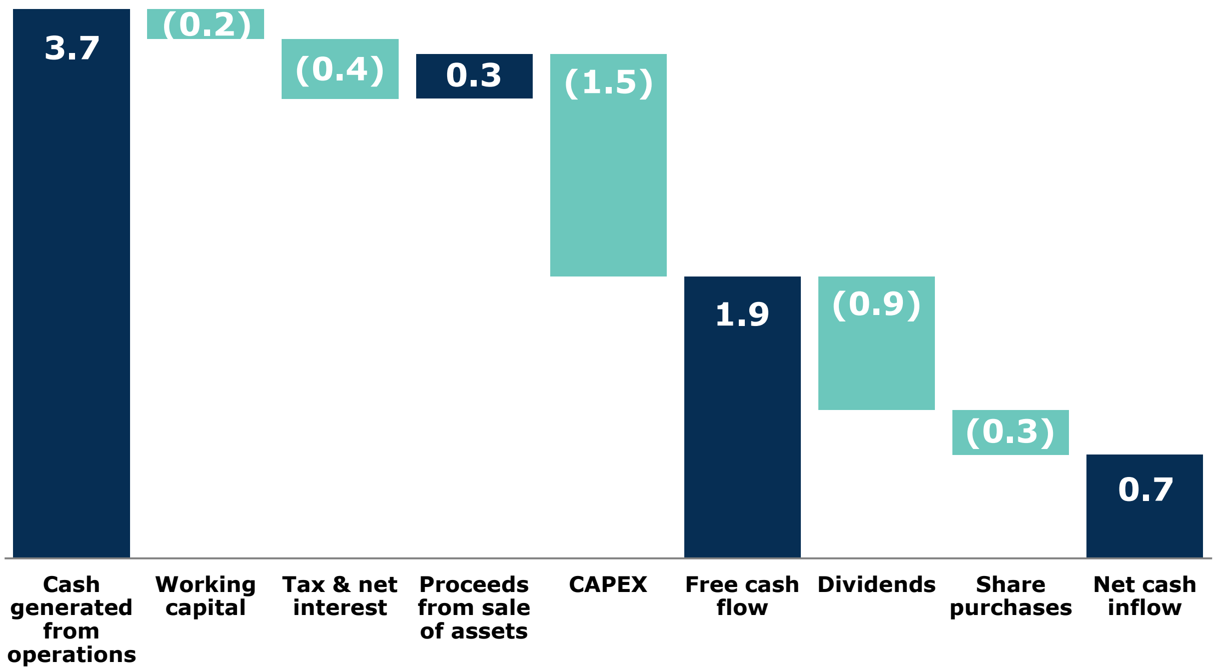
The Group has recognised its investment in TM at a rate of 3.3 RTGS to the USD (4.3:1 ZAR) The foreign currency devaluation is recognised through equity reserves

The fair value of TM exceeds its book value of R184.4 million and no impairment is required

Net funding position improved by R0.7bn

Pick n Pay

Rbn Cash generation and utilisation – FY19



Group generated R1.9bn of free cash flow over 52 weeks:

- Cash from operations of R3.7bn up 12% on last year
- Working capital performance in line with last year, notwithstanding impact of new stores and distribution centres
- Strong inventory management with LFL stock down 10.5% on last year
- Capital investments to improve estate of R1.5bn

Almost R1.0bn paid to shareholders

Strong cash generation, lower gearing

Pick n Pay

	53 weeks FY19 Rm	52 weeks FY19 Rm	52 weeks FY18 Rm
Cash	1 503.2	**1 090.3**	1 129.1
Cost-effective overnight borrowings	(1 800.0)	**(300.0)**	(1 800.0)
Cash and cash equivalents	(296.8)	**790.3**	(670.9)
1 to 3-month borrowings	(1 325.0)	**(1 325.0)**	(400.0)
Secured borrowings	-	**-**	(128.8)
Net funding	(1 621.8)	**(534.7)**	(1 199.7)

+ R665m

The 53-week net funding position reflects the Group's monthly payment calendar, with supplier payments made over month-end

The Group's comparable 52-week net funding position improved by R665.0m on last year

Strong free cash flow driven by:
- Increased profitability
- Improved working capital management
- Consistent returns on investment

The Group utilises 1 to 3-month debt to take advantage of competitive interest rates

The Group's liquidity position remains strong, with R4.3bn unutilised borrowing facilities at year-end

Continued investment supports growth strategy

	FY19 Rm	FY18 Rm
Expansion into new stores	**476**	652
Improving existing stores	**620**	673
Improving the customer experience	**1 096**	1 325
Investing in future infrastructure	**164**	87
Maintaining current infrastructure	**213**	237
Total capital investment	**1 473**	1 649

Capital investment in line with growth and refurbishment strategy

68 new company-owned stores opened during the year - 42 Pick n Pay and 26 Boxer

Broad and impactful refurbishment programme, touching more stores in a single year than ever before

103 stores modernised during the year

Strong discipline – savings on capital budgets while delivering against plan

R2bn planned for FY20

SOUTH AFRICA'S MOST INFLUENTIAL BRAND

Progress on our plan

Richard Brasher

Chief Executive Officer

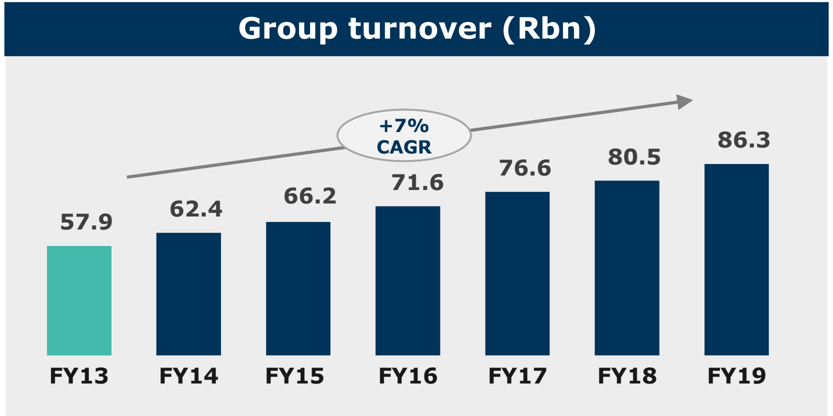
FY19 result snapshot

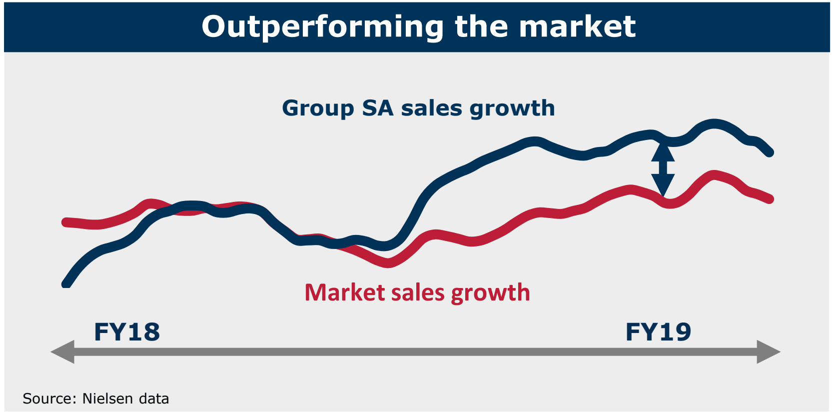
	Group FY19 growth	SA FY19 growth
Turnover	7.1%	7.4%
LFL volume	5.1%	5.5%
Profit before tax*	15.6%	21.6%
HEPS	18.0%	n/a

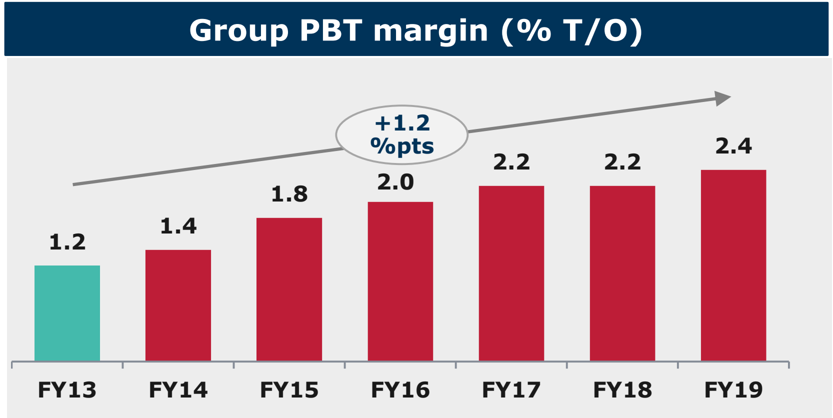
- Strong turnover growth, particularly in South Africa
- Gained market share throughout the year
- Exceptional value for customers reflected in price deflation of 0.3%
- Volume growth of 5.1% (5.5% in SA)
- PBT growth of 15.6% and HEPS growth of 18.0%

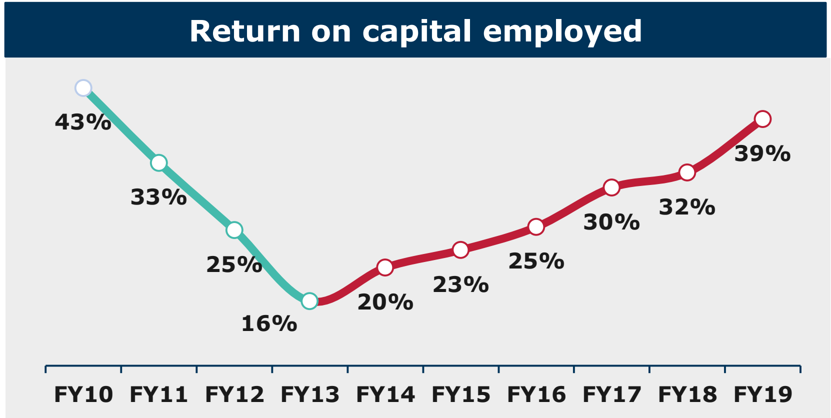
**Excluding capital items*
Information presented is on a comparable 52-week basis

Consistent execution of our plan has delivered six years of growth









We have delivered a HEPS CAGR of 23.7% over the past six years

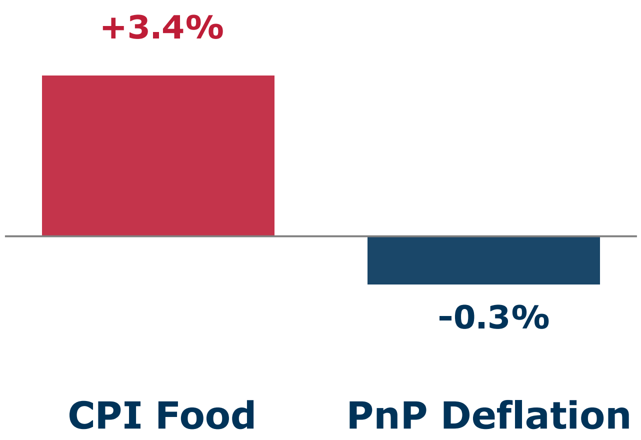
Our FY19 result was built on five engines of growth

Pick n Pay

1	2	3	4	5
SA's most trusted retailer	Africa's favourite discounter	Value-added customer services	Growth across Africa	Force for good
Pick n Pay	**Boxer**	**Services**	**Rest of Africa**	**Doing good is good business**
Great prices, better quality and more innovation for customers in all segments	*Unbeatable prices and promotions, giving customers the best value in the industry*	*Making financial and other services a seamless part of the shopping trip*	*Adaptable model designed to grow sustainably in African markets*	*Communities, people and the environment are central to our business*

FY19 Highlights: value for customers

Internal deflation



- Exceptional value for customers was rewarded with LFL volume growth of 5.1%
- Price reductions on thousands of products, with a focus on fresh produce and meat
- Fewer, deeper, more effective promotions
- Price investment equivalent to one free weekly shop for customers over the past year
- Performed well over Black Friday and Festive season with good growth in sales

FY19 Highlights: unbeatable quality

- Launched *Fresh Promise,* guaranteeing the quality of our produce, butchery and bakery products across all price points
- Substantially improved fresh meat and produce offer, rewarded by strong sales growth
- New packaging, improved quality, better ranges
- Strong collaboration with suppliers on specifications, ordering and waste management

FY19 Highlights: own brand innovation

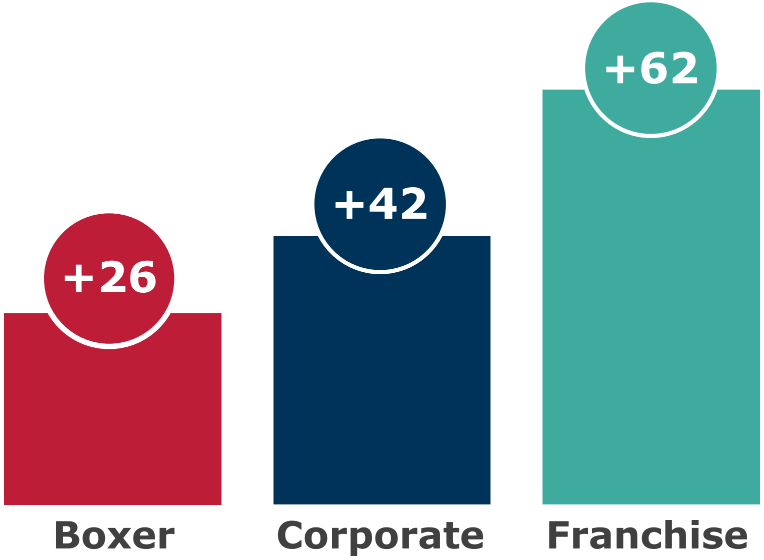
- 500 products launched, including
  - meal solutions
  - health snacks
  - pet food
  - diapers
- 700 products re-designed
- Customers responding well with strongest sales in baking, convenience and health ranges
- Own brand participation is at 21% with plans to accelerate in FY20
- PnP own brand won 30 first place Sunday Times awards in 2018

FY19 Highlights: personalised loyalty

- Voted SA's best loyalty programme for the 6th year in a row – Sunday Times Top Brand survey for 2018
- 7.2m active Smart Shoppers
- R6.6bn in personalised discounts offered with a 30% increase in redemptions
- Launched partnership with BP to award points for fuel – over 1 million Smart Shoppers have benefited already
- TymeBank customers earn points everywhere and double points at PnP
- Smart shoppers using their mobile app benefit from cardless swipe and switch points and save at tills
- New Baby Club and Pet Club launched after very successful Wine Club: 100,000+ members

FY19 Highlights: more stores, better stores

FY19 new stores



- Opened 130 new stores across the Group, including 29 new supermarkets
- Investing in convenience: more Express stores in partnership with BP
- 45 PnP corporate stores refurbished, e.g. with new layouts for produce, health and beauty, general merchandise and liquor
- 31 Boxer stores and 7 Rest of Africa stores refurbished
- Opened 23 clothing stores and 37 liquor stores
- Closed 20 underperforming stores

FY19 Highlights: greater operating efficiency

- Trading expense growth contained at 7% despite above-inflation increases in rents, rates, electricity and fuel
- Good cost control in stores
  - LFL electricity costs down 1.8% year-on-year and we use less total electricity today than 10 years ago
  - 20% reduction in water usage in WC - learnings being rolled out nationally
- Progress on Supply Chain centralisation
  - Total centralisation up from 65% in FY18 to over 75%
  - New KZN DC has 80% grocery centralisation, 70% fresh and 50% liquor
  - A record of 3m cases picked in one week through Longmeadow

FY19 Highlights: Boxer

- Customers love Boxer for its unbeatable prices and promotions and excellent customer service
- Strong double-digit customer growth
- Exceptional performance in Butchery
- Successful investment in Bakery delivered record growth in FY19
- 60% sales growth on own brand products
- Boxer now has 240 own brand SKUs and 15% participation

FY19 Highlights: Boxer

- Boxer opened 26 new stores, and now has 270 stores
- Three-quarters of the supermarket estate (123 stores) are now in the New Generation format
- Operating costs very well-controlled
- Good management of shrinkage
- Agreed a new 3-year wage deal with the union
- New DC opened in Gauteng in January and Boxer now has over 40% centralisation in the division

FY19 Highlights: greater digital innovation

- ✓ TymeBank partnership – 250,000 accounts opened
- ✓ In FY20 we will add Hollard Insurance to our portfolio of services

+40%	Value-added services growth in FY19
+52	More money counters, taking the total to 210
R30bn	In cash withdrawals processed through our tills – over 75m transactions
550k	Money-transfer customers
125k	Store account customers. Responsible approach to granting credit

FY19 Highlights: leading online offer

Exciting new website features

- 25% growth in online sales through our dedicated online DCs
- 90% increase in visitors to our website, over 50% coming from a mobile device
- New features include Your Favourites, shorter time between order and delivery, one-hour delivery slots
- Online DCs deliver small and single-pick orders to Express and Market stores, which more than doubled in the year
- Click-and-collect sales more than doubled, now accounting for nearly 10% of order volume
- Smart Shoppers are enjoying our app - 1m downloads in FY19

FY19 Highlights: growth outside South Africa

- Despite economic challenges, our African operations remain resilient
- Segmental revenue grew 2.2%, weighed down by local currency weakness
- In constant currency terms, revenue grew 5.3%
- 6 new stores opened in the division
- Renovated 7 stores in Zimbabwe with 2 conversion to Pick n Pay – 20 out of the 57 stores are now branded PnP
- Commenced development on 1 store in Nigeria, to open in FY20, and plan 2 more
- Notwithstanding challenging trading conditions the division contributed R241m in segmental profit to the group

FY19 Highlights: resilient Zimbabwean operation

- Our team has performed magnificently for customers in a challenging environment
- Despite currency uncertainty and inflation, we kept our stores stocked and shelves full
- 97% of our supply is sourced locally in Zimbabwe
- We stayed open for customers throughout all the political disruption
- Strong double-digit volume and customer growth
- To support staff we provided additional increments for transport, food, loans, leave and once-off bonuses

FY19 Highlights: Force for good

Pick n Pay

Schools Club

Over 3,300 schools supported & nearly 6 million beneficiaries

Food & Clothing donations

R80m in food and clothing donated in FY19

Reduced plastic waste

100% recycled plastic bag reduces plastic waste by 2,000 tonnes p.a.

Small businesses

Mentored and granted access to market to >100 small businesses

Food security

3,000 community & home gardens empowering 15,000 families

People n Planet

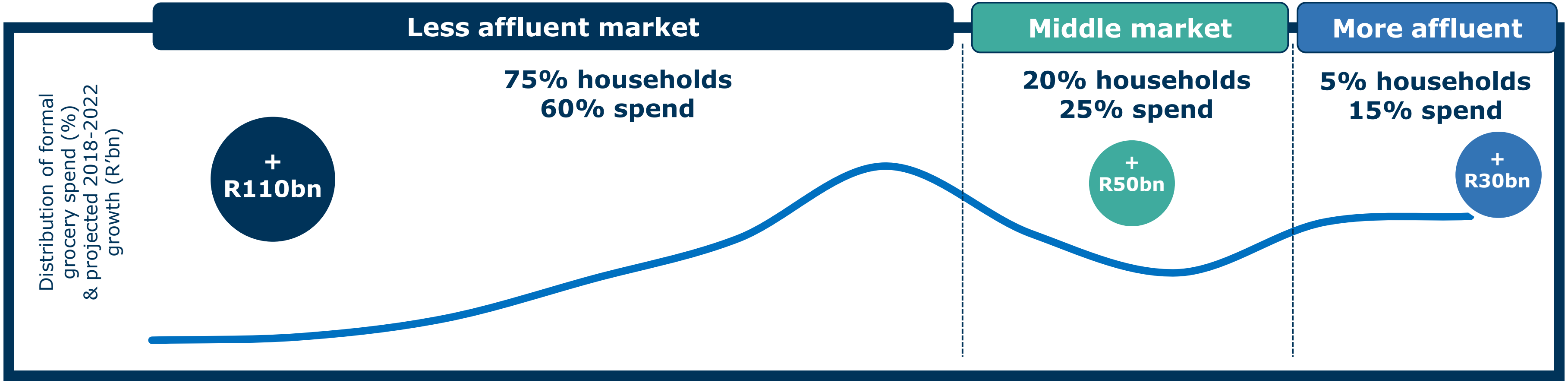
The new banner under which our Force for Good work is done

Looking forward

- Very pleased with what we have done over the past year - testament to our planned approach and consistent delivery over a number of years
- More to come – we are determined to maintain momentum as we get within sight of our target to restore a PBT margin at or above 3%
- Our work will continue to be organised around our engines of growth

1	2	3	4	5	6
Pick n Pay - most trusted retailer	**Boxer - Africa's favourite discounter**	**Bearing down on costs**	**Value-added customer services**	**Growth outside South Africa**	**Doing good is good business**
Have the right offer and the right model for the different customers we serve	Accelerate growth to establish the leading limited-range discounter in Africa	Ensure costs increase at a lower rate than sales	More reasons and more ways to shop with Pick n Pay and Boxer	Grow sustainably in other African markets	Be a good and responsible neighbour in every community we serve

The total market is R900bn & we have a 10% share



Boxer

Boxer's unbeatable value combined with Pick n Pay's range of formats and offer, in Corporate and with our Franchise partners, position our Group well to serve all customers

Corporate

Franchise

convenience

supermarkets

hypermarkets

online

Looking forward: more for less

- More great promotions
- More new PnP and Boxer stores
- More smaller convenient formats
- More own brand innovation
- More innovation in services
- More stores in Africa
- More investment in People n Planet

- Lower prices
- Lower build costs
- Lower operating costs
- Lower stockholding
- Lower waste

We will make our business even better for our customers, stakeholders and the communities we serve

Pick n Pay

Thank you

Richard Brasher
Chief Executive Officer